



TOWNSHIP OF NORTH HURON

REPORT

Item No.

REPORT TO: Reeve Vincent and Members of Council
PREPARED BY: Donna White
DATE: 19/09/2016
SUBJECT: CMO Banking Limit
ATTACHMENTS: N/A

RECOMMENDATION:

THAT the Council of the Township of North Huron hereby authorizes an increase in the Payment Product Settlement Limit (PPSL) from \$350,000.00 to \$1,000,000.00 for the daily business transaction limit for activities processed via Cash Management Online (CMO.)

EXECUTIVE SUMMARY

The Finance Department initiative for 2016 is to take the appropriate steps to move towards Electronic Fund Transactions (EFT) rather than issuing cheques and this will be the preferred method of payment for the Township of North Huron. EFT is an electronic payment service that provides a fast and simple way to issue Canadian and US dollar payments to accounts at any financial institution in Canada. This process is a widely used technical solution used to transmit instructions to financial institutions.

A temporary increase in the limit can also be obtained if the occasions should arise where the County (\$550,000 per instalment) and the School Board (approx. \$250,000 per instalment) were processed on the same day as a regular EFT run.

The Township has been processing direct deposit to pay the employees electronically through the payroll system since 2001.

DISCUSSION

Township staff have been working towards implementing EFT transactions as the preferred method of payment for Township vendors in efforts to keep pace with industry standards. Forms have been included with the last few cheque run payments requesting the required banking information. The payment is deposited into the vendor's account on the Tuesday following the Council meeting. The vendor receives a regular cheque stub by email which is sent out when the EFT file is created and sent to the bank with notification that the payment will be deposited on the specified date. The dollar amount will be the same regardless of whether being paid by cheque or EFT and the same amount of invoices will be processed monthly. To date, 110 vendors have submitted their information. Feedback from vendors is being gathered and the comments have been positive.

As part of the security features, the staff person entering the accounts payable amount will require approval by a second person before the payment can be processed which requires a PIN number and token.

The auditor was in agreement and advised that controls will be reviewed at the interim audit. The CIBC Banking Contact has also agreed to the increase and provided his comments which have been included in this report.

The end result is lower cost to the Township by:

- avoiding the cost of printing and mailing physical cheques
- control over when payments are disbursed and debited from the bank account for accurate cash flow forecasting
- avoiding late payment charges
- reduced fraud risk
- less outstanding cheques appearing on the monthly bank reconciliation statements.

FINANCIAL IMPACT

The project will be monitored for savings.

FUTURE CONSIDERATIONS

The EFT project will be monitored for the remainder of 2016 to evaluate vendor participation. Other various agencies are moving away from issuing of cheques and providing notice to their vendors that cheques will no longer be issued by a specified date. In 2017, Finance staff will determine the possibility of undertaking the same action.

RELATIONSHIP TO STRATEGIC PLAN

Goal #4 – Our administration is fiscally responsible and strives for operational excellence.

Donna White, Director of Finance

A handwritten signature in black ink, appearing to read 'Sharon Chambers', written over a horizontal line.

Sharon Chambers, CAO

Good morning, Donna, thanks for the call today.

As discussed, I took a look at some of our other municipal clients in the area of similar size, in particular those who are moving toward EFT rather than cheques, which is absolutely a prudent move in my opinion given the increased number of fraud cases involving cheques over the past few years.

Typical Payment Product Settlement Limits (PPSL) of those municipalities range from \$750,000 at the low end to \$2,500,000 at the higher end (for comparable size). For larger upper tier municipalities, PPSL can be as high as \$20,000,000 in our experience.

As a general best practice, if you consider your higher regular remittances, combined with payroll, it should give you a good baseline as to what an appropriate PPSL may be for your situation. If you were to consider a payroll amount in concert with a remittance to the upper tier municipality and a few regular payments, you would probably find that \$1,000,000 is an appropriate amount. Please also keep in mind that on rare occasions when remittances above \$1,000,000 are required, we can request a temporary PPSL increase for a couple of days to allow payments to be processed.

It is also worth mentioning that there is essentially no risk with a PPSL as it is simply the business day transaction limit for activities via Cash Management Online (CMO). Security on CMO is extremely high, and the Township has a multi-user approval process whereby one user can set up a payment/remittances, but another user is required to review and approve any transactions. This multi-user approval process is designed to prevent any fraudulent or mistaken transactions from taking place.

In reviewing the Township's profile, I would agree that \$1,000,000 is an appropriate PPSL as you move toward greater EFT usage and would be in line with other municipalities in the southwestern/mid-western Ontario.

As always, if you have any questions or require any additional information, please let me know.

Best Regards, Mark

Mark Wareing | Manager | Public Sector & Not-for-Profit Group | Commercial Banking
560 Wellington Street, 3rd Floor, London Ontario N6A 3R4 | Tel: 519 661-8310 | Fax: 519 679-8775 | mark.wareing@cibc.com



To unsubscribe from CIBC Business Banking, please [click here](#), or reply to this message and state "Unsubscribe". Please note that it may take up to 10 business days to fulfill your request. You can subscribe again by contacting me using my contact information above. This message, including attachments, is confidential and may be privileged. If you received this in error, please notify me by reply email and delete this message.